

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2311**

05/07/2015 Authored by Barrett, McDonald, Atkins, Lillie and Urdahl

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act
1.2 relating to economic development; establishing a tax refund program for
1.3 restaurant and hotel renovations or repair; proposing coding for new law in
1.4 Minnesota Statutes, chapter 469.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[469.50] RESTAURANT AND HOTEL RENOVATION TAX REFUND**
1.7 **PROGRAM.**

1.8 Subdivision 1. Definitions. For purposes of this section, the following terms have
1.9 the meanings given.

1.10 (a) "Actual project costs" means costs attributable to a project that are incurred by
1.11 a qualified applicant between the commencement and completion dates specified by the
1.12 commissioner under subdivision 4, paragraph (b), clause (2).

1.13 (b) "Applicant" means a person, corporation, or other entity that owns and operates a
1.14 hotel or restaurant.

1.15 (c) "Baseline tax amount" means the average annual amount of sales and use tax
1.16 remitted to the commissioner by sales tax dealers at the location of a project during the
1.17 36-month period immediately preceding commencement of the project. The baseline tax
1.18 amount shall be calculated using records submitted to the commissioner under subdivision
1.19 4, paragraph (c).

1.20 (d) "Commissioner" means the commissioner of employment and economic
1.21 development.

1.22 (e) "Hotel" means a public lodging establishment that is licensed under chapter 157.

1.23 (f) "Project" means the renovation, improvement, repair, or upgrade of an existing
1.24 hotel or restaurant. Project does not include new construction.

(g) "Qualified applicant" means an applicant who has been issued a certificate by the commissioner under subdivision 4.

(h) "Restaurant" means a food and beverage service establishment licensed under chapter 157.

Subd. 2. Administration. The commissioner shall develop, implement, and administer a restaurant and hotel renovation tax refund program. The commissioner is authorized to adopt rules necessary to administer and enforce this section.

Subd. 3. Tax refund. (a) An applicant may receive an annual refund of the tax imposed by chapter in an amount certified by the commissioner under subdivision 4, paragraph (e), if the applicant completes a project that is:

(1) a renovation, improvement, repair, or upgrade of guest rooms, suites, or common areas of a hotel, including exterior upgrades to signage, landscaping, and facades, with at least \$10,000 in expenditures for each guest room or suite and total expenditures of at least \$2,000,000; or

(2) a renovation, improvement, repair, or upgrade of dining areas, restrooms, kitchens, or common areas of a restaurant, including upgrades to signage, landscaping, and facades, with at least \$10,000 in expenditures for upgrades or repairs to one or more areas used primarily for food preparation and total expenditures of at least \$100,000.

(b) A qualified applicant meeting the requirements of this section shall receive an annual tax refund equal to 50 percent of the difference between the baseline tax amount and the annual amount of sales and use taxes remitted by sales tax dealers at the location of the qualified applicant's completed project.

(c) The aggregate amount of refund payments that a qualified applicant receives under this section must not exceed 20 percent of the qualified applicant's actual project costs. Expansions, enlargements, or additional investments made by a qualified applicant that are outside the scope of the application approved under subdivision 4, paragraph (a), must not increase authorized refund payments.

Subd. 4. Application process. (a) An applicant seeking a tax refund under this section must submit an application to the commissioner before the project commences. The application must include:

(1) plans for the proposed project and estimated project costs; and
(2) a detailed description of the proposed project, including estimated commencement and completion dates.

(b) The commissioner shall review each submitted application for completeness and provide preliminary approval or disapproval within 60 days after receiving the application. The commissioner shall issue a certificate to each preliminarily approved applicant that:

3.1 (1) designates the applicant as a qualified applicant eligible to receive a tax refund
3.2 under this section; and

3.3 (2) specifies project commencement and completion dates. The period between the
3.4 commencement and completion dates specified by the commissioner must not exceed 36
3.5 months for a proposed project described in subdivision 3, paragraph (a), clause (1), or 12
3.6 months for a proposed project described in subdivision 3, paragraph (a), clause (2).

3.7 (c) Each qualified applicant shall, within 60 days after commencement of the
3.8 applicant's project, submit to the commissioner a record of all sales and use taxes
3.9 remitted by sales tax dealers at the location of the project for the 36 months immediately
3.10 preceding commencement of the project. This information is subject to verification by
3.11 the commissioner.

3.12 (d) Each qualified applicant shall, upon completion of the applicant's project,
3.13 provide documentation to the commissioner demonstrating actual project costs. These
3.14 costs shall be verified, at the expense of the qualified applicant, by an independent certified
3.15 public accountant licensed in this state. The commissioner shall verify that actual project
3.16 costs meet the expenditure requirements provided in subdivision 3, paragraph (a). A
3.17 qualified applicant who fails to meet the expenditure requirements provided in subdivision
3.18 3, paragraph (a), must not receive a tax refund under this section.

3.19 (e) Each qualified applicant shall, beginning with the 12-month period immediately
3.20 after completion of the applicant's project, submit to the commissioner a record of the
3.21 annual sales and use taxes remitted by sales tax dealers at the location of the completed
3.22 project. The commissioner shall verify this information, calculate the amount of any tax
3.23 refund due, and certify the refund amount. The commissioner shall issue tax refunds
3.24 within 30 days after determining the certified amount.

3.25 **EFFECTIVE DATE.** This section is effective July 1, 2015.